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SENSITIVE

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TRANSPORTATION FOR EDDIE CARAZO; JKESSLER AT EUR/ERA;
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SUBJECT: SCENESETTER FOR SECRETARY LAHOOD'S VISIT MAY
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[1](#)1. (SBU) Summary: Mission Germany warmly welcomes your visit to Germany for the International Transport Forum in Leipzig. Of the larger European Union member states, Germany holds the greatest untapped potential for our transatlantic agenda, but much will have to be settled at the ballot box this year. In recent weeks, political parties have announced their platforms and turned their attention to both the June 7 European parliamentary elections as well as Germany's general election, scheduled for September 27. Transportation Minister Wolfgang Tiefensee has received mixed press and tepid support from his party, and his prospects for a federal level position after September are unclear. In your working dinner on May 27, Tiefensee will likely raise high speed railways, U.S. plans for the Copenhagen meeting on the UN Framework Convention on Climate Change (UNFCCC) and transportation emissions regulations; he is aware of your interest in Open Skies and high speed rail as well as U.S. concerns about ETS. With a backdrop of growing concern in Germany and elsewhere in Europe about a massive drop in U.S. demand for imports, your remarks on infrastructure plans in the United States, particularly those that may benefit foreign suppliers, will be of strong interest. End Summary.

GERMANY IN PRE-ELECTION MODE

[1](#)2. (SBU) All levels of the German government are increasingly feeling the heat of the campaign season, which will pit Grand Coalition partners Chancellor Angela Merkel (Christian Democrat Union) and the Foreign Minister Frank-Walter Steinmeier (Social Democratic Party) against one another. Polls indicate the continuation of the Grand Coalition as the most likely result. Just four months before national elections, Merkel's poll numbers are wobbling. Short-term domestic political considerations, the slow pace of change in public support for a German leadership role, and the constant demands of the economic crisis dominate German politics. Tiefensee's accomplishments include long-term research & development financing for fuel cell mobility, successfully concluding the first round of Open Skies negotiations during Germany's EU presidency, and attracting foreign investors (including American firm, First Solar) into the former eastern Laender. His handling of the proposed privatization of Deutsche Bahn has received much criticism. German press suggests that Steinmeier may find another visible SPD politician from the eastern states to take the place of Tiefensee, the former mayor of Leipzig, after the elections.

COPENHAGEN

¶3. (SBU) Tiefensee will likely ask what position the U.S. intends to take at the UNFCCC meeting in Copenhagen in December 2009. He regards the U.S. position as pivotal for progress toward a global agreement, especially in winning over emerging economies.

OPEN SKIES

¶4. (SBU) Regarding the next round of Open Skies negotiations planned for after the EU parliamentary elections, German government officials and industry express concern that German/EU airlines have yet to be granted the same extensive rights in the United States. They argue that stage one of Open Skies has already been implemented in the EU, granting U.S. airlines the right to fly to other domestic destinations after arrival (cabotage) and especially giving them enhanced access to Heathrow Airport. Germany is also concerned about U.S. limitations on foreign ownership of American airlines (25%).

EMISSIONS TRADING

BERLIN 00000603 002 OF 003

¶5. (SBU) The European cap and trade emissions system for aviation (ETS), which is due to go into effect in 2012 has become a bilateral irritant. The German government supports the inclusion of non-EU airlines in the ETS for competitive reasons, fearing that their exclusion would create a competitive disadvantage for German airlines. Lufthansa publicly expressed support for this position; privately it has been more equivocal. The Government and Lufthansa see ETS as only one of a series of measures such as improved air traffic management and technological advances to reduce aircraft emissions.

¶6. (SBU) The German Emissions Trading Agency has requested that U.S. airlines submit data necessary for their participation in ETS by the end of August 2009. While most U.S. airlines oppose the EU ETS and favor a global solution under the International Civil Aviation Organization (ICAO), they risk financial disadvantages if they do not submit the data. Their participation under protest may leave open the possibility of future litigation while protecting their airlines from negative consequences, such as the non-allocation of free ETS certificates.

RAIL

¶7. (U) The German government and public and private sector industries are very interested in the impact of the Obama Administration stimulus package and its emphasis on greening the American economy. They see these developments as opportunities to market German products, including high-speed rail components, in the U.S. Germany is a world leader in the production and administration of high-speed rail systems. Its major cities are linked by a high-speed Inter-City rail net with frequent services provided by Siemens ICE rolling stock. In 2008, Germany and France introduced high-speed rail links between Paris, Frankfurt, and Stuttgart. The next generation of high speed trains, the Siemens ICE 3 (Velaro), will go into operation in 2011 and reach speeds of up to 320 km/h.

During the Clinton Administration, there was considerable U.S. interest in the German Magnetic Levitation rail system (Maglev) known as Transrapid in Germany. Siemens has already exported the train to Spain, Russia and China. However, work by a consortium formed by Siemens and ThyssenKrupp to research and build such a system in Germany has not advanced.

18. (U) Minister Tiefensee played a leading role in recent events leading to the resignation of the CEO of German State Railways (Deutsche Bahn) at the end of April. DB, a global logistics enterprise as well as a railroad company with a payroll of nearly 200,000 employees, was accused of illegally gathering data on employee bank accounts, e-mails, trade union activities and contact with outside bodies. Tiefensee was under considerable pressure to resolve the crisis and pushed it to resolution. Independent investigators have confirmed that DB violated the law to spy on all its employees repeatedly, allegedly to combat corruption. DB's new CEO has fired several board members and senior managers. The prosecutors are now determining whether to press criminal charges.

19. (SBU) Minister Tiefensee's initiative to privatize a minority share of DB did not succeed. DB's previous CEO hoped to use the measure to procure more capital investment and lessen political interference in DB operations. Especially disputed was whether DB should be left as an integrated corporation still owning track and infrastructure, or whether track and infrastructure should be separated from DB to promote competition. After the initial goal of privatizing 50% was abandoned, Tiefensee postponed the privatization of a 25% share, partly because of increasing opposition from his own party (SPD). The employee spying scandal has virtually eliminated the legislative prospects for privatization during the remainder of this session.

OPEL'S FUTURE

110. (U) The possible bankruptcy of General Motors causes

BERLIN 00000603 003 OF 003

considerable worry in Germany as it could adversely affect German auto parts suppliers and Opel. (Note: Opel, which is a 100% subsidiary of General Motors, is fighting for its survival.) The German government, led by Economics Minister zu Guttenberg has been in close consultation with U.S. Treasury and GM on Opel's future; Tiefensee's Ministry has not had much of a role. The German government is currently considering approval of a trust fund for Opel and is examining several bids from entities interested in acquiring majority ownership of Opel.
Koenig